

Message Text

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NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

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INFO AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: EGEN, FI

SUBJ: "ECONOMIC PROTECTION" LEGISLATION CLEARS

PARLIAMENT

REF: HELSINKI 1474

1. SUMMARY: WITH THE PASSAGE OF FOUR OUT OF FIVE OF
THE "ECONOMIC PROTECTION" LAWS THAT THE GOVERNMENT HAD
POSED AS A CONDITION FOR SIGNATURE OF THE EC FREE-TRADE
AGREEMENT, THE FINAL CHAPTER WAS WRITTEN TO THE
FINNISH-EC EPIC, AND THE WAY IS CLEARED FOR CONSIDERATION
OF MORE PRESSING PROBLEMS -- PARTICULARLY THE INCOMES
POLICY SETTLEMENT.

2. FOUR OF THE FIVE BILLS COLLECTIVELY KNOWN AS THE
"ECONOMIC PROTECT*ON LAWS" HAVE FINALLY CLEARED PARLIA-
MENT (JANUARY 8); THE FIFTH BILL RELATING TO ESTABLISH-
ING A PERMANENT COUNTER-CYCICAL FUND SYSTEM AND A
TAX ON UNNECESSARY BUILDING CONSTRUCTION WAS BLOCKED
BY THE COMMUNIST PARTY (SINCE IT WOULD HAVE WEIGHED
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ON THE BUILDING TRADES FROM WHICH IT DRAWS MUCH OF ITS

STRENGTH), BUT CAN BE ENACTED BY TWO-THIRDS MAJORITY IN PARLIAMENT FOLLOWING THE NEXT ELECTIONS. FOUR LAWS ARE: (1) LAW ON PERMANENT PRICE CONTROL (2) LAW ON PRICE EQUALIZATION AND PRICE FREEZE (3) LAW ON MARKET DISTURBANCE (4) LAW ON EXPORT TAX.

3. LAW ON PRICE CONTROL: NEW LAW WILL CONFER ON GOVERNMENT PERMANENT (AS OPPOSED TO PRESENT PROVISIONAL) POWER TO SET MAXIMUM PRICES FOR GOODS THAT ARE SUBJECT TO STATE SUBSIDIES SUCH AS FOODSTUFFS. A SPECIAL BOARD HAS BEEN SET UP TO MONITOR AND SET SUCH PRICES.

4. LAW ON PRICE EQUALIZATION AND PRICE FREEZE: "PRICE EQUALIZATION" IN THIS CONNECTION MEANS THAT THE GOVERNMENT WILL HAVE THE AUTHORITY TO LEVY A VARIABLE TAX ON CERTAIN CONSUMER DURABLES, MAINLY AUTOMOBILES, MOTORCYCLES, BOATS, UP TO 25 PERCENT. A BASICALLY UNRELATED CLAUSE OF THE LAW GIVES THE GOVERNMENT POWER TO FREEZE PRICES FOR MAXIMUM PERIOD OF 12 MONTHS AT A TIME IN CASE OF EXCEPTIONAL CIRCUMSTANCES SUCH AS MONETARY REFORM, TAX REFORM, MASSIVE CHANGE IN INTERNATIONAL PRICE LEVELS, ETC.

5. LAW ON MARKET DISTURBANCE: THIS LAW CONFERS PERMANENT AUTHORITY TO RAISE DUTIES ON CERTAIN GOODS IF DOMESTIC INDUSTRY IS UNDULY THREATENED BY IMPORTS.

6. LAW ON EXPORT TAX: PURPOSE OF THIS LAW IS TO REDUCE FLUCTUATIONS IN BUSINESS CYCLE BY ALLOWING FOR EXPORT TAX OF UP TO 25 PERCENT TO BE IMPOSED IF INTERNATIONAL PRICE LEVEL CAUSES SUDDEN INCREASE IN EXPORT EARNINGS. MONEY SO COLLECTED WILL BE DEPOSITED IN A SPECIAL FUND, AND 50 PERCENT OF IT WILL BE RETURNED TO CONTRIBUTOR WITHIN FOUR YEARS. OF THE REMAINDER, 10 PERCENT WILL BE USED FOR FORESTRY IMPROVEMENTS, 10 PERCENT FOR DEVELOPMENT OF ENERGY SOURCES AND 30 PERCENT WILL BE RETAINED BY THE GOVERNMENT AS GENERAL REVENUE.

7. COMMENT: THESE BILLS GENERATED A GREAT DEAL OF EMOTION AND DEBATE IN PARLIAMENT, AND WERE SO BITTERLY UNCLASSIFIED

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RESISTED BY CONSERVATIVES THAT THEY WERE THE CAUSE OF A TRAUMATIC RIFT IN THAT PARTY. ON THE OTHER HAND, IT CAN BE ARGUED THAT IN FACT MOST OF THE POWERS GRANTED BY THE LAWS ARE IN PRACTICE AVAILABLE TO THE GOVERNMENT ANYWAY, AND ANY GOVERNMENT WILL HAVE TO JUSTIFY THE IMPLEMENTATION OF DRASIC MEASURES IN LIGHT OF THE ECONOMIC SITUATION PREVAILING AT THAT TIME OR FACE A VOTE OF NO CONFIDENCE. ALSO, PROPOSALS RESTRICTIVE OF

FOREIGN TRADE MUST BE CONSIDERED IN LIGHT OF FINLAND'S
INTERNATIONAL COMMITMENTS, PARTICULARLY IN GATT.
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